

March 19, 2010

Testimony of Chief Thomas J. Sweeney to the Judiciary Committee regarding Raised Bill No. 5472 – ***AN ACT CONCERNING PAWNBROKERS, PRECIOUS METAL DEALERS AND SECOND HAND DEALERS.***

I strongly urge the Committee's favorable support for Raised Bill 5472 which is before you today concerning pawnbrokers, precious metal dealers and second hand dealers. In doing so I speak not only as a representative of the Connecticut Police Chief's Association but also as the Chief of one of the six police departments involved with last summer's broad scale investigation of fencing activities being conducted through a number of Connecticut pawn shops. That investigation concretely established that systematic fencing activities were being conducted through a segment of the pawn shops in the State. That fencing activity supported the criminal activity of a large number of career thieves regularly engaged in burglaries, larcenies and mass scale organized retail theft across the State. Because of the central role of pawnbrokers in facilitating the disposal of stolen merchandise, the Connecticut Police Chiefs strongly support the need for improved licensing and regulation of the pawnbroking industry as well as the parallel activities of precious metal and second hand dealers routinely buying personal property from persons off the street who are not wholesalers.

The bill before you reflects the combined input of police officers routinely involved in the regulation of pawnbrokers and precious metal dealers, investigators involved in last year's fencing investigation and the Assistant State's Attorney responsible to prosecute the resulting criminal cases. It provides a comprehensive and uniform system for licensing and regulating pawnbrokers, precious metal, and second hand dealers in a manner which closes the serious gaps in existing statutes which are currently being exploited by the criminal elements engaged in those businesses.

Legitimate pawnbrokers provide an important service to those members of our society who don't have ready access to other means of credit or short term financial support. I also appreciate the fact that the Connecticut Association of Pawnbrokers has stepped up to support efforts to clean up the criminal activity by some of its members which have given a bad image to their profession. There is significant agreement between the Connecticut Association and the Pawnbroker Association concerning the provision of this bill. The two associations have worked together to also develop substitute wording for the parallel bill #5342 reported out by the Public Safety Committee that we believe effectively balances the needs of law enforcement and legitimate business.

Last year our investigators identified a number of individuals including career thieves and known drug offenders who were making hundreds of repeated sales of high value merchandise to certain pawn shops. As an example in one month a career thief with seventy-two prior convictions sold 52 new in-box power tools worth over \$40,000 to two pawn shops in Waterbury. In return he collected \$12,703. Both pawn shops buying that merchandise were

carrying on high volume sales of that merchandise through E-Bay. That example points to a level of organized retail theft in the State easily exceeding 100 million dollars. It is doubtful the thief or the business ever paid taxes on the proceeds of those sales activities.

In 2009 six police departments joined with the Connecticut State Police and Chief State's Attorney's office to investigate suspected fencing at some of the most active pawn shops in central Connecticut. New in-box merchandise clearly represented as stolen and in most cases still bearing spider wrap security devices was offered to ten pawn shops and one high volume second hand dealer. Nine of those eleven businesses purchased the apparently stolen merchandise. Several dealers even assisted directly in removing the alarmed security devices from the merchandise. A few told our undercover posing as the thief what other types of merchandise they were looking to buy if he could provide it. The businesses were buying new merchandise at about thirty percent of retail value and in most cases were paying in cash. In one known case the item purchased was listed on E-bay within two hours later and was sold at 100% profit about three hours after its listing. In the second stage of the investigation shrink wrapped pallets of electric tools valued at over \$10,000 and purportedly stolen from Home Depot were offered to four of the most active pawnbroking businesses. All four of those businesses purchased some or all of that merchandise.

Our investigation resulted in twenty-six arrests of nineteen shop owners or employees. It clearly highlighted the broad scope of organized retail theft in the State and the central role some pawn shops and second hand dealers were playing in fencing of stolen merchandise. Our investigations also confirmed that there is no systematic approach to licensing and regulation of pawnbrokers across the State. That confusion resulting from the confused wording of the current statute regarding licensing authority has resulted in highly varied levels of regulation. In some municipalities no one assumes responsibility to license, regulate or oversee pawnbroking activities. The extent and blatant nature of the fencing by some pawnbrokers clearly mandates that the weaknesses and loopholes in the current pawn broking statutes must be effectively changed.

Our investigators have noted similar patterns of reported gold sales occurring at some precious metal dealers. As the items those individuals sell may be immediately crushed or smelted there is often no opportunity to recover a victim's property some of which may have irreplaceable sentimental value. With the recent increase in gold prices there has been a significant increase in hotel and home based gold buying parties and the problems of monitoring precious metal activity have become more frequent and acute.

The Connecticut Chief's of Police strongly urge the Committee to act favorably on Raised Bill 5472 and to effectively amend the existing statutes dealing with both pawnbrokers and precious metal dealers. We also urge you address the same type of currently unregulated buying activities of second hand dealers. We believe effective regulation to constrain criminal activity in these areas works in the best interest of legitimate businesses, victims seeking to recover their stolen property and law enforcement.

As currently drafted Raised Bill 5472 effectively addresses major problems in the existing statutes.

- It establishes a single uniform system for licensing and regulating pawnbrokers, precious metal dealers and second hand dealers.
- It eliminates confusion regarding who is responsible for regulating these industries by fixing responsibility with the local chief of police or the Commissioner of Public Safety where there is no organized police department.
- It makes reasonable provisions to exempt related businesses that are not purchasing and reselling the types of merchandise commonly subject to theft in our communities.
- It requires full disclosure of all the principals in the business, all locations to be used for receiving and storing property purchased and all internet sites used to sell merchandise.
- It requires digital photos of the sellers and the merchandise purchased.
- It establishes a reasonable holding period to allow law enforcement and victims to recover stolen property.
- It establishes requirements for record keeping and reporting which mandate detailed descriptions of the property purchased.
- It tightens controls on the cash and check transactions involved with these businesses to insure there is a competent financial record for business activity.

We strongly urge your favorable action on this bill. We stand ready to meet with representatives of the affected businesses to work out any issues that may need adjustment on this or the parallel bill from Public Safety #5342. We clearly do not want to impede legitimate businesses. We do, however, seek effective regulations which control blatant criminal activity and effectively balance the legitimate interests of businesses, victims and law enforcement.